

**LEGISLATIVE SERVICES AGENCY  
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**FISCAL IMPACT STATEMENT**

**LS 6176**

**BILL NUMBER:** HB 1106

**NOTE PREPARED:** Dec 1, 2012

**BILL AMENDED:**

**SUBJECT:** Plumbing Commission Matters.

**FIRST AUTHOR:** Rep. Niezgodski

**BILL STATUS:** As Introduced

**FIRST SPONSOR:**

**FUNDS AFFECTED:** X GENERAL  
X DEDICATED  
FEDERAL

**IMPACT:** State

**Summary of Legislation:** *Continuing Education for Licensed Plumbers-* The bill requires the Plumbing Commission (PC) to approve a continuing professional education (CPE) program for persons who hold licenses as a plumbing contractor or a journeyman plumber, or both. The bill requires the PC to adopt rules to establish criteria for CPE. The bill requires a person subject to the CPE requirement to complete at least two hours of CPE every two years. The bill provides that: (1) compliance with the CPE requirement may be documented only on the plumbing contractor license if a person holds both a plumbing contractor and a journeyman plumber license; and (2) a person may receive CPE credit or renew a license only if certain criteria are met.

*Exemptions-* The bill allows the PC, by rule, to exempt certain persons if the PC determines that the exemption is in the public interest.

*Plumbing Compliance Fund-* The bill establishes the Plumbing Compliance Fund (PCF). The bill provides that: (1) the PCF shall be administered by the Professional Licensing Agency (PLA); (2) administration expenses of the PCF shall be paid from the money in the PCF; and (3) the PCF consists of penalties for certain violations and money deposited from the Plumbers Recovery Fund (PRF).

*PLA & Attorney General Cooperation Memorandum-* The bill provides that the PLA may enter into a memorandum of understanding with the Attorney General (AG) providing for use of money from the fund for enforcement actions conducted by the AG. The bill requires that: (1) the PLA and the AG annually submit to the PC any memorandum of understanding entered into for review; and (2) 50% of the balance in the PRF be deposited in the PCF on June 29 of every odd-numbered year.

**Effective Date:** July 1, 2013.

**Explanation of State Expenditures:** *Continuing Education for Licensed Plumbers*- This provision would have an indeterminable impact on the PLA and expenditures. The additional expenditures would include continuing education audits for contractor and journeyman plumbers and discipline procedures for noncompliant plumbers. Additionally, the Plumbing Commission may require additional meetings at the subcommittee level to develop rule language for a continuing education program.

*PLA & AG Cooperation Memorandum*- As stated in *Continuing Education for Licensed Plumbers*, the expense for enforcement would be taken up by the AG's office if a memorandum could be established between the PLA and AG. The AG would presumably use the biannual 50% balance transfer from the PRF to fund any investigations performed by the AG with respect to plumbing license disciplinary provisions.

**Explanation of State Revenues:** *Plumbing Compliance Fund*- The PCF would receive, at the end of every odd-numbered fiscal year, half of the balance in the PRF. The PCF could also receive revenue from penalties. Money in the PCF would not revert to the state General Fund at the end of a state fiscal year. The following table illustrates the year-end *balances* of the PRF from the last several odd-numbered years.

<b>Historical Odd-Year Balance of the Plumbers Recovery Fund</b>	
<b>State Fiscal Year</b>	<b>Actual Year-End Balance PRF</b>
2003	\$331,809
2005	\$397,195
2007	\$572,941
2009	\$482,223
2011	\$511,489

The FY 2011 fund balance of \$511,489 was split between cash holdings of \$211,489 with the Treasurer of State and \$300,000 invested in certificates of deposit. A transfer of 50% of the balance of the PRF to the proposed PCF during FY 2011 would have totaled approximately \$255,745, had the PCF been in effect. This transfer would have reduced the balance of the PRF below \$330,000. According to the bill, which is also a provision of existing law, a surcharge would have been levied to return the PRF to a balance of \$400,000. (See *Surcharge Trigger* for further explanation.)

*Surcharge Trigger*- According to the bill, which is also a provision of existing statute, an additional surcharge is to be paid by licensed plumbing contractors whenever, at the end of an odd fiscal year, the PRF drops below a balance of \$330,000. The surcharge must return the PRF balance to \$400,000. Transferring 50% of the PRF's balance in FY 2011 would have placed the PRF's balance at approximately \$255,745 or approximately \$74,255 below the \$330,000 minimum balance threshold. A surcharge would have had to raise \$144,256 to return the PRF to a balance of \$400,000.

There were 3,457 plumbing contractors licensed as of September 13, 2011. Current law would have provided

for all licensed plumbing contractors to pay a surcharge of approximately \$41.73 per contractor, if a transfer of \$255,745 had occurred at the close of FY 2011 in order to return the balance to \$400,000. The surcharge is assessed at the time a plumbing contractor applies for an initial license or renewal license.

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** Professional Licensing Agency; Attorney General.

**Local Agencies Affected:**

**Information Sources:** Professional Licensing Agency, Active License Counts as of 9/13/2011; State Budget Agency: Auditor's Trial Balance FY 2003 - FY 2011.

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